BEFORE THE IDAHO BOARD OF TAX APPEALS

JEREMY AND ANGIE OLIVER, Appellants, v. BANNOCK COUNTY, Respondent.	)	APPEAL NO. 14-A-1027 FINAL DECISION AND ORDER

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bannock County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RCTME000200. The appeal concerns the 2014 tax year.

This matter came on for hearing October 29, 2014 in Pocatello, Idaho before Board Member David Kinghorn. Appellants Jeremy and Angie Oliver were self-represented. Assessor Dave Packer represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

The issue on appeal concerns the market value of an improved residential property.

The decision of the Bannock County Board of Equalization is affirmed.

FINDINGS OF FACT

The assessed land value is $58,000, and the improvements' valuation is $436,947, totaling $494,947. Appellants contend the correct improvements' valuation is $342,000, with no change to the land value, totaling $400,000.

The subject property is a .54 acre parcel located in Chubbuck, Idaho. The lot is improved with residence consisting of 3,504 above-grade square feet and 1,872 square feet in the basement, of which approximately 1,685 square feet are finished. The residence, constructed in 2011, also includes special needs amenities including an elevator, lowered cabinets and countertops, wide doorways, and wheelchair accessible entryways.

Appellants testified the total cost to construct the subject residence was roughly $494,000. It was explained construction costs were higher than typical due to adding special needs amenities. In Appellants' view, some of the special needs features like the elevator and lowered cabinets and countertops, negatively impacts subject's market value because a potential buyer would either likely not need such improvements so would need to modify them to standard specifications. In short, Appellants contended the market value of subject's residence is less than actual construction costs because the custom features are not as widely marketable.

Appellants provided the independent fee appraisal connected to subject's purchase after construction was completed. The appraisal considered nine (9) improved residential sales for comparison with subject. Two (2) of the sales were noted to be distressed, which the fee appraiser adjusted for in the analysis. Sale prices ranged from $350,000 to $524,000. After price adjustments were made to account for physical differences between subject and the sales, adjusted sale prices were between $411,917 and $503,248. The appraisal concluded a total value for subject of $447,000 as of December 23, 2011.

Appellants also provided value opinions from two (2) local realtors. The first estimated a listing price of $389,000, with a likely sale price of $375,000. Attached to the opinion statement was a list of improved residential sales which occurred during 2014. Sale prices were between $365,000 and $499,900. The second realtor suggested a listing price range between $359,000 and $379,000. The value opinion was supported by four (4) improved residential sales from 2014. Sale prices ranged from $269,900 to $394,900.

Appellants further submitted information regarding three (3) improved sales from 2013 and one (1) from November 2012. With construction dates between 1990 and 2007, the sale residences were all older than subject. The sale residences bracketed subject in terms size, however lot sizes were notably larger than subject's lot. Sale prices ranged from $338,000 to $440,000.

Respondent explained subject's assessed value was derived from a cost approach analysis using the Marshall & Swift cost manual adjusted to the local market. Cost tables for a quality rating of "Good/Very Good" and a "Very Good" condition rating were used in calculating replacement cost new estimate of $537,595 for subject's residence. Respondent applied a 20% physical depreciation factor, which was gleaned from the sales information detailed below. An additional 2% functional obsolescence adjustment was also applied due to subject's unique special-use features. After adding the land and land-improvements components, Respondent concluded a total value of $494,947.

Respondent submitted six (6) 2013 improved residential sales, from which the above-referenced depreciation factor was derived. Sale Nos. 1, 2, and 3 were regarded as most comparable to subject. The sale residences were generally similar to subject in terms of square footage, age, lot size, and style. Sale prices were between $425,000 and

$523,000. The remaining three (3) sale properties were not considered highly comparable to subject primarily because the residences were ten (10) or more years older. Sale prices ranged from $500,000 to $550,000. To calculate the depreciation factor for each sale, Respondent compared the individual sale prices to the associated replacement cost new estimates derived from the Marshall & Swift cost manual. In Respondent's model, the difference between the replacement cost new figure and the actual sale price represents the depreciation factor for each sale. Depreciation factors were between 7% and 33%, with an average of 20%.

Appellants challenged the comparability of the sales included in Respondent's analysis. Sale No. 2 was noted to include a detached three-car garage, which the parties estimated contributed roughly $50,000 to the total value of the property. Appellants argued Sale No. 3 was not comparable because it was situated in a more desirable location than subject. Respondent acknowledged location is a key value factor but explained recent sales of large upper-end residential properties were limited. Respondent maintained the most comparable sales available were utilized.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2014 in this case. Market value is defined in Idaho Code § 63-201, as,

> "Market value" means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. There are three (3) approaches to value, the sales comparison approach, the cost approach, and the income approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979).

Both parties provided a fair amount of valuation evidence in support of their respective estimates, however, there were some concerns. Appellants submitted information about subject's actual construction costs from 2011, as well as a fee appraisal report with a December 23, 2011 effective date of valuation. Typically, an opinion of value is developed using the most recent market data available. The data surrounding subject's construction and purchase is roughly two (2) years old, which in the Board's view is somewhat dated for determining market value on January 1, 2014. This is not to say such information cannot be useful for appraisal purposes, but a consideration for time should normally be included in an analysis using older data. Further, because there were a number of sales occurring nearer the January 1, 2014 valuation date, the Board did not find sufficient justification for relying on information from late 2011.

There was also an issue with timeliness regarding the sales used by the local realtors to estimate subject's probable listing and selling price. Both value opinions were developed using sales from mid-2014. Generally, market value is determined using sales or other relevant information which occurred prior to the date of valuation. Basically, a value opinion is a snapshot of value at a particular point in time. As such, information from beyond the date of valuation would not be known, and thus could not be considered in this retrospective analysis. Accordingly, the Board excluded the 2014 data from its review.

Respondent's sales were timely, but there were some questions related to the analysis. In terms of basic physical characteristics and general design, the sale properties were representative of subject. There were differences however, and it is how these differences factored into the analysis that concerned the Board. For instance, Sale No. 2 included a large detached garage which the parties estimated to contribute about $50,000 in value. It was not clear how Respondent addressed the garage issue. Similarly, the parties agreed Sale No. 3 was located in an area superior to subject, however, details were absent regarding how this key value component was taken into consideration.

Despite the concerns expressed above, the Board was left with information on seven (7) timely improved sales. Predictably, there was some variance in terms of acreage, bedroom and bathroom counts, size of the residences, and location. Neither party attempted a direct comparison between the sale properties and subject, nor did the parties indicate what appraisal adjustments should be made. Of all the sales, Respondent's Sale No. 1 was regarded by the Board as most comparable to subject. The property is located in subject's subdivision and the residence is generally representative of the subject residence. The primary difference between the properties is in the finished square footage of the residences. The sale residence includes 3,185 above grade square feet and 910 finished square feet in the basement. By contrast, subject's residence includes 3,504 above grade square feet and 1,685 square feet of finished basement space. The sale property sold for $475,000, which compares favorably with subject's roughly $495,000 assessed value, when consideration is given for the sale residence having nearly 1,000 finished square feet less than subject.

In appeals to this Board, Appellants bear the burden of proving error in subject's assessment by a preponderance of the evidence. Idaho Code § 63-511. In this particular instance, the Board did not find the burden of proof satisfied. The Board appreciated the information shared by Appellants, but on an overall basis Respondent's value position was judged to be the more reasonable and better supported.

For the reasons expressed above, the decision of the Bannock County Board of Equalization is affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bannock County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 26th day of February, 2015.